EMPLOYEE RETENTION STRATEGIES IN SOFTWARE INDUSTRY: MANAGEMENT PERSPECTIVE

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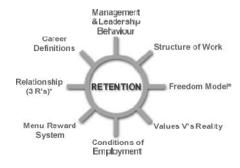
ABSTRACT

Employees are the most valuable assets of an organization. Their significance to organizations calls for not only the need to attract the best talents but also the necessity to retain them for a long term. This paper focuses on reviewing the findings of previous studies conducted by various researchers with the aim to identify determinants factors of employee retention. Retaining the employees, especially the performing employees, is very critical to the progressive sectors like the Information Technology (IT) sector. Retaining good or performing employees has been a challenge all along the course of industrialization. Employers have given a lot of significance to this issue in employment relations. New and newer strategies have been designed and developed by them. They have also engaged the experts to study the problem of employee attrition in their organizations and recommend effective retention strategies.

KEYWORDS*: Culture, QWL, Vision, Re-organize, Social Life.*

Introduction

The Information technology industry in India has gained a huge acknowledgement and has become a brand identity as a knowledge economy due to its IT and ITES sector. The IT–ITES industry has two major components: IT Services and business process outsourcing (BPO). The growth in the service sector in India has been led by the IT–ITES sector, contributing substantially to increase in GDP, employment, and exports. The sector has increased its contribution to India's GDP from 1.2% in FY1998 to 7.5% in FY2012. According to NASSCOM, the IT–BPO sector in India aggregated revenues of US$100 billion in FY2012, where export and domestic revenue stood at US$69.1 billion and US$31.7 billion respectively, growing by over 9%. Now coming to the personal life of the employees, employees are looking for alternatives because of their collective desire to improve the balance between work and family.

Figure: Effective Employee Retention by "Rodridge J (2007) "

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If you do not provide them, someone else will. Instead of a traditional vacation policy, the company lets employees take time off from a leave bank, in which they can accumulate as many as 60 days off to use as they see fit.

Literature Review

The latest literature presented below:

Allen and Shanock (2013) stressed on relationship with colleague socialization, Andrews and Wan (2009) emphasized on management style and leadership to increase an organization retention capability. A group of researchers led by autonomy, work-schedule flexibility and social support helps organization to keep their employees for a longer period of time. The eight retention factors: management, conducive environment, social support and development opportunities, autonomy, compensation, crafted workload, and work-life balance.

Misra, Pooja, Rana, Neeti et. al. (2012), analyzed the impact of Compensation components in terms of Rewards and Benefits and Organizational Justice on Turnover Intentions and the role of Job Satisfaction in terms of Pay. It was examined that compensation influences key outcomes like job satisfaction, attraction, retention, performance, skill acquisition, cooperation, motivation and turnover intent of employees. This study has been done on the Indian Retail Industry with special reference to Retail Store Operations. It was found that rewards and organizational justice in terms of distributive and procedural justice impact job satisfaction which in turn affects and described as one of the reasons for high attrition rates. The independent factors of Financial (base pay, merit pay, incentive, bonus etc.), non Financial Reward (discount coupons, employee of the month), benefits, distributive and procedural justice impact job satisfaction which in turn impacts absenteeism and attrition rates in the retail industry.

Balakrishnan and Masthan, D. (2013), identified the drivers of the employee engagement and also examined the relationship between employee engagement and employee retention. It was observed that employee engagement leads to commitment and psychological attachment and reflects in the form of high retention (low attrition) of employees.

Jeen Dorance Batty S. (2015), aimed to the factors which may be the possible reasons for an employee to leave an organization. Employee's turnover intention and its impact on organizational outcomes were analyzed and that was collected through questionnaires from the first and middle line employees in selected organized retail outlets in Bangalore. From the econometric analysis, it was found that turnover intention has influenced attrition factors such as Quality of Work Life, career growth, working hours, personal/family reasons, and relation with internal co – worker, welfare, working condition, and salary.

Research Methodology:

Objectives

- To know the Employee welfare measures impact on retention rate in IT sector.
- To understand the employees skills impact in controlling attrition in IT sector.
- The impact of training program on employee retention in IT sector.

Hypothesis

H_{01} : There is a association between age of the employee and taking care of their well beingness by management will have impact on retention rate.

H_{02} : There is no significant relation between Education of employee and company programs for skills enhancement will have impact on retention rate.

H_{03} : There is no relation between educations of employee and providing "*on the job training*" will control retention rate.

Sample & Sample Size

Employees, HR Managers and Trainees who are working in IT companies in Hyderabad, A sample of 510 employee's opinion was collected with the help of structured questionnaire.

Data Analysis

The data analysis was done with the help of SPSS 20.0 statistical software.

Analysis

Factor Analysis (Management Strategy)
Table 1: KMO and Bartlett's Values of Management Strategy

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.769
Bartlett's Test of Sphericity	Approx. Chi-Square	7853.603
	df	21
	Sig.	.003

First the researcher tested the eligibility of the data to perform factor analysis by checking KMO-Bartlett's test which is a measure of sampling adequacy. The KMO value is 0.769 >0.7. Bartlett's Test of Sphericity indicates a measure of the multivariate normality of set of variables (Sig. value is less than 0.05 indicates multivariate normal and acceptable for factor analysis). Both the sampling adequacy and Bartlet's values are statistically valid.

Table 2: Total Variance Table of Management Strategy

Component	Initial Eigen Values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.431	82.570	82.570	7.431	82.570	82.570
2	1.008	11.195	93.765	1.008	11.195	93.765
3	.223	2.479	96.244			
4	.155	1.719	97.963			
5	.056	.624	98.587			
6	.051	.563	99.150			
7	.017	.185	100.000			

Extraction Method: Principal Component Analysis.

The below screen plot indicates, pictorial manner of filtered factors with more than 1 Eigen value i.e Two factors in above case.

Table 3: Rotated Components Matrix of Management Strategy

Factor	Component	
	1	2
33.Retention	.459	-.011
34. Customer Satisfaction	.361	.115
35.Exit Interview	**.986**	.078
36. Vision	.068	-.023
37.Complaints	.167	-.012
38.Leaves	.668	-.016
39.Re-Org.	-.773	.809

Extraction Method: Principal Component Analysis.

As per above Rotated Component matrix analysis , it is found that correlated values more than 0.6 are considered as influenced factors and the same factor is treated for naming of concern factor.

Table 4: Naming of Factors for Management Strategy

Factor No.	Factors Name	Naming of Factor
1	o Company implements the suggestions given by exit interviews. o Management is flexible in sanctioning leave for the social activities of employee's family.	Stress Relievers
2	o Management constantly re-organizes the employees and changes decision of the organization.	Re-structure of company according to needs

H_{01} :   There is a association between age of the employee and taking care of their wellbeingness by management will have impact on retention rate.

Table 2: Chi square values of Employee age and wellbeingness

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1242.141[a]	12	**.930**
Likelihood Ratio	1115.077	12	.000
Linear-by-Linear Association	446.956	1	.000
N of Valid Cases	509		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.12.

From the above table chi- square is not significant (sig. value is > 0.05), Accept the Hypothesis. i.e ,if the management will able to provide good facilities to employees as per their age wise needs, it will able to control the retention rate IT sector employees.

H_{02}:   There is no significant relation between Education of employee and company programs for skills enhancement will have impact on retention rate.

Table 3: Chi Square Values of Employee Age and Skill Enhancement

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	964.062[a]	12	.000
Likelihood Ratio	1011.168	12	.000
Linear-by-Linear Association	443.086	1	.000
N of Valid Cases	509		

a. 2 cells (10.0%) have expected count less than 5. The minimum expected count is 3.29.

From the above chi square table, the significant value (sig. value is < 0.05), Hence, Reject null hypothesis. i.e, if the company will organize frequent skills enhancement program to employees, it leads to control of retention rate.

H$_{03}$: There is no relation between educations of employee and providing "on the job training" will control retention rate.

Table 4: Chi Square Values of Employee Education and 'on the Job Training'

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1223.750[a]	12	**.263**
Likelihood Ratio	1075.790	12	.000
Linear-by-Linear Association	457.920	1	.000
N of Valid Cases	509		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 9.48.

From the above table chi- square is not significant (sig. value is > 0.05), Accept the Hypothesis. i.e the educated employees don't found much importance for on the job training , which is not a impacting factor to control retention rate.

Discussion of Results

The Hyderabad IT Industry in general and the software and other organisations did face the problem of employee attrition rather very seriously for two important reasons: (1) the high rate of growth of the industry, and (2) scarcity of qualified people (engineers, computer science and computer application graduates. rate was in some cases closet to 50%. The study is aimed to explore about employee retention practices followed in IT (Information Technology) sector in Hyderabad region. The report carried out the perceptions of 510 senior IT professionals in Top 5 IT MNC's (TCS, Wipro, Infosys, Oracle, and Tech. Mahindra) operating in Hyderabad city. Questionnaire method of data collected was adopted for the purpose to capture employee perceptions in various dimensions leads to retention practices in their respective companies.

Major Caused for Employee Attrition in Select Companies

- **The Economy:** In exit interviews one of the most common reasons given for leaving is the availability of higher paying jobs.

- **The Performance of the Organization:** An organization perceived to be in economic difficulty will also raise the specter of impending layoffs. Workers believe that it is rational to seek other employment.

- **The organizational culture**: Much has been written about organizational culture. It is sufficient to note here that the reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.

Conclusion

The company strategy will have huge impact on retention policy of the employees. Almost all the sample companies framed well designed policies to control attrition in their respective companies. The managers are frequently assessing company customer satisfaction. The companies are not following any such time limit to resolve policies. The leave policy to employees is more flexible. The factors with respect to Management Strategy to maintain better retention strategy is, providing better stress management practices to employees in terms of making them to enjoy their social life and positively implementing exit interview suggestions followed by re-structure of organization according to changing needs in the organization is an effective management strategies. Infosys recently launched "Pathfinder," which is a career movement

program. As a part of this initiative, 23,000 people have gone through career workshops to understand more about their options. The management says that it is trying to provide employees with internship programs to test waters across different career streams available internally and move around according to their aptitude. Wipro, has been trying to reward employees through a more tangible process by dolling out 5.7 million shares as restricted stock units to its mid-management employees. This was followed up with a band restructuring program that saw 20,000 junior level employees being promoted at a 7-8% salary hike in the second quarter of the fiscal. (Roy & Ghosh, 2010).

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